

Financial Reporting Requirements Financial Reporting Forms

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Problems

How to Avoid Problems with your HUD-Held Home Mortgage!

An information booklet for homeowners
whose mortgages are held by the
U.S. Department of Housing and Urban Development (HUD)
under the Assignment and Purchase Money Mortgage Programs

January 1992

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under the Assignment and Purchase Money Mortgage Programs

U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

Washington, D. C. 20410

January 1992

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b. how you can get information from HUD about your mortgage account,

c. how you can avoid most problems with your mortgage, and

d. answers to mortgagors' most frequently asked questions.

. By reading the booklet now and referring to it when questions arise later on, you will save yourself:

a. worry, energy, and time;

b. waiting for a reply to your letter or telephone call to HUD; and

c. the cost of long-distance telephone calls.

. As you read the booklet, you will find:

a. information about how HUD handles your mortgage account and

b. the address and telephone number of the local HUD office that handles your mortgage.

. Feel free to call or visit the local HUD office whenever you have questions.

If you think HUD made an error on your account, get in touch with our local office as soon as possible. Our staff will provide every possible assistance to you.

b. your mortgage company assigned (transferred) your mortgage to HUD.

If the company that held the mortgage on your home assigned the mortgage to HUD, this was done under the Department's Assignment Program for ONE of the following reasons.

(1) HUD insured your mortgage under Section 221 of the National Housing Act,

AND your monthly mortgage payments were current at the end of your mortgage's twentieth year. The National Housing Act authorizes your mortgage company to transfer your mortgage to HUD without first obtaining your approval.

(2) You were behind in your mortgage payments,

AND your mortgage company could have foreclosed against your mortgage,

AND you met HUD's eligibility requirements for accepting the assignment of your mortgage company assigned your mortgage to HUD.

your mortgage to HUD prevented foreclosure of your mortgage and gave you a second chance to bring your mortgage current and save your home.

WHERE DO YOU GET HELP REGARDING YOUR MORTGAGE ACCOUNT WITH HUD ?

a. You may visit, telephone, or write to the local HUD office listed below.

U.S. Department of Housing and Urban Development Single Family Loan Servicing Staff

Telephone: () -

(2) telephone number, and

(3) account number (You will find it on your bill. It begins with either 06 or 07.).

If you telephone the office, have your account number handy. Using your account number saves time and helps us assist you quickly.

MONTHLY MORTGAGE PAYMENT BILLS

Every month, about ten days prior to the due date of your next payment, HUD will send to you:

- (1) the next month's bill and
- (2) a pre-addressed payment envelope.

Use that envelope to send your payment to the Payment Processing Center.

Although you might not receive a bill for some reason, **you are still responsible for making your payment on time every month.** The bill we send to you is merely a **reminder** about your payment.

Send your bill stub with your payment, but ALWAYS write your 9-digit account number on your check or money order.

If you do not receive a bill, write your 9-digit account number on your check or money order and mail it to the lockbox without the bill stub.

THINGS TO REMEMBER ABOUT MAKING YOUR PAYMENT

If your account is current under your MORTGAGE, do NOT mail your payment earlier than the last day of the month prior to the month in which the payment is due.

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- e. **ALWAYS** write your account number on the check or money order with which you make your payment.
- f. Write the number in the upper center portion of your check or money order.
- g. **Do NOT** send letters along with your payment.
- h. **Always** send your bill stub with your payment to assure application of your payment to **YOUR** account.
- i. Unless you follow these procedures, the application of your payment to your account **WILL BE DELAYED** and a late charge might be added to your account.

WHEN IS YOUR MORTGAGE PAYMENT DUE? Your payment is due on the first of the month, **EVERY MONTH**. If we do not **RECEIVE** your payment by the close of business on the 16th of the month in which it is due, we will:

- a. apply a late charge to your account and
- b. send a delinquency notice to you.

WHERE DO YOU SEND YOUR MORTGAGE PAYMENTS?

Mail your payments to:

PAYMENT PROCESSING CENTER

P.O. Box 105652

Atlanta, Georgia 30348

If your real estate taxes decrease or increase, the amount of escrow required for taxes each month will decrease or increase.

If you enter into a revised forbearance agreement with us, your required payment will change.

If you have a Graduated Payment Mortgage, your mortgage payments will increase in accordance with the terms of your mortgage.

37 months after HUD accepts the assignment of your mortgage, you **MUST** make a payment at least equal to the payment required under the mortgage.

- (1) HUD has no authority to suspend payments or accept reduced payments after a mortgage has been assigned to HUD for 36 months.
- (2) When a forbearance agreement expires, HUD will review with you your financial circumstances to determine if you can make a payment higher than what is required under the mortgage. This is done to determine if you can make additional payments to begin to pay off some of your delinquency.

If your mortgage is insured under Section 235 and a subsidy payment is applied to your account each month, your billed amount will change if the subsidy amount changes.

HOW DOES HUD APPLY YOUR PAYMENTS TO YOUR ACCOUNT?

If your account is current **UNDER YOUR MORTGAGE**, your payment is applied to each of the following parts of your bill. For a current account, the bill consists of the following parts:

PRINCIPAL is the part of your payment that reduces the amount of the mortgage loan you still owe to HUD.

INTEREST is the charge you pay as a cost of borrowing the money to buy your house.

- (2) If you are making payments under the terms of a forbearance agreement, your mortgage account is **NOT current** under your mortgage.
- (3) If your account is delinquent under the mortgage and you have not signed a forbearance agreement with HUD, contact our local office immediately; otherwise, you will be billed for the entire amount of the delinquency.
- (4) If you are making a payment that is less than a full payment required under the mortgage, your account is going further into delinquency each month. Interest on the unpaid principal balance, late services charge, and escrow amounts continue to add up on your account.

EXAMPLE - If the regular monthly payment required under your mortgage is \$500.00, but your reduced payment under a forbearance agreement is \$400.00, you fall behind at least \$100.00 more each month you make the reduced payment. The amount would exceed \$1,000.00. For example, you did not have enough money in your escrow account and HUD had to advance money on your behalf to pay your property taxes.

- (5) **AT SOMETIME IN THE FUTURE, YOU MUST PAY THE ENTIRE AMOUNT OF YOUR INDEBTEDNESS TO HUD.**
 - (6) **If your account is not current under the mortgage**, read paragraph c. below to learn how HUD applies your payments to your account.
- c. If your account is delinquent, HUD applies your payments to the following items, if they are due, in the order listed below.
- (1) **Interest on Other Advances**
- “Other” advances include such expenses as those associated with a foreclosure, if HUD forecloses your mortgage.

This is the amount of HUD's money we use to pay your taxes when there is not enough money in your escrow account. We charge this amount to your account. You must pay back to HUD, with interest, any money advanced on your behalf.

(5) **Service Charge**

This is the fee HUD collects from you to cover its costs for handling your account.

(6) **Late Charge**

If we RECEIVE your payment after the 16th of the month in which it is due, we add a late charge to your account.

(7) **Non-sufficient Funds Check** ("Bounced" check)

If your bank returns your check to us because you do not have enough money in your checking account, we add a bad check charge to your account.

(8) **Escrow**

This is the amount of your monthly payment set aside by HUD to pay your real estate taxes when they become due.

(9) **Mortgage Interest**

This is the monthly charge you pay as the cost of borrowing the money to buy your home.

(10) **Mortgage Principal**

This is the part of your monthly payment that reduces the amount of the mortgage loan you still owe to HUD.

Late Charge	20
Bad Check Charge	10
Escrow for taxes	500
Mortgage Interest	800
Principal	200
	<hr/>
Total Delinquency	\$2000

"other advance" includes such items as foreclosure costs, maintenance costs of abandoned property and certain uncollectible checks.

Also assume that the mortgagor sends a payment for \$500. The \$500 payment is applied to the \$2000 delinquency in the following order.

1. \$ 20 pays off the Interest on the tax advance.

2. \$400 pays off the Advance for taxes.

3. \$ 50 pays off the Service Charge.

4. \$ 20 pays off the Late Charge.

5. \$ 10 pays off the Bad Check Charge.

\$ 100 was the amount of the payment and was applied to the above five items of the delinquency. No money remained to pay off any of the remaining three items—escrow, mortgage interest, and principal.

FORBEARANCE AGREEMENTS

Forbearance is the process whereby HUD agrees to accept a monthly payment based upon your financial ability to pay over a period of up to one year. If HUD accepted your mortgage under the assignment program, HUD is authorized, under certain circumstances, to suspend your payments or accept a reduced payment for up to but **NOT MORE THAN 36 months** from the date we accepted the assignment of your mortgage.

BEGINNING WITH THE 37TH MONTH OF THE ASSIGNMENT OF YOUR MORTGAGE TO HUD, THE LAW REQUIRES THAT YOU MUST BEGIN PAYING AT LEAST THE FULL MONTHLY PAYMENT REQUIRED UNDER YOUR MORTGAGE

HUD does **NOT** automatically apply a forbearance agreement to your account if it is delinquent.

1. You must submit to HUD information it requests about your finances. HUD will **require** you to submit financial information on Form HUD-92068F, Request for Financial Information.
2. HUD uses this financial information and related data to determine the amount of your forbearance payment. If you will not, for any reason, enter into a forbearance agreement with the local office that handles your account, HUD must foreclose your mortgage. This means you will lose your home through foreclosure.

FORECLOSURE - This is the procedure by which HUD takes possession of your home because you do not make your mortgage payments.

a. **HUD may foreclose if:**

- (1) you fail to live up to the terms of your mortgage

OR

- (2) you fail to live up to the terms of a forbearance agreement.
-

b. The best alternative is to sell the house. By selling rather than providing a deed-in-lieu you:

- (1) protect your credit record and
- (2) might realize some profit from the sale.
 - (a) The sale might take place to a buyer who assumes the mortgage you have with HUD. In most assumption sales, the buyer pays the entire amount of the delinquency to HUD at the time of the purchase.
 - (b) If your mortgage is delinquent and you plan to sell your house, you should call or write to the local HUD office that handles your account.

Do this **BEFORE** you sell. This is especially important if you plan to sell your house to a buyer who will assume **YOUR** mortgage. Even if the buyer assumes your mortgage, **YOU REMAIN RESPONSIBLE UNDER THE MORTGAGE UNLESS YOU OBTAIN A "RELEASE FROM LIABILITY."**

- (c) By communicating with our field office you might avoid some problems associated with a sale by assumption.

2. BRINGING A DELINQUENT MORTGAGE ACCOUNT CURRENT

- a. If you are able to bring it current, call or write to the HUD Field Office that handles your account.
- b. Tell them you want to bring your account current.
- c. The office will tell you the amount of the payment needed to bring your account current.

3. PAYING OFF YOUR MORTGAGE ACCOUNT

- a. Under certain conditions it might be to your advantage to pay off your mortgage if you are in a financial position to make such a payment.
-

If you receive a property tax bill from your taxing authority, **IMMEDIATELY** send the bill to the local HUD office that handles your account, unless your mortgage was **automatically** assigned to HUD under Section 221(g)(4). If your mortgage was **automatically assigned** to HUD, **YOU must pay your real estate taxes**. If you have questions, immediately call the local HUD office that handles your account.

If you delay sending the bill to us, you might incur a penalty charge for the late payment of your tax.

6. ANNUAL ACCOUNT STATEMENTS

Every January we will send to you an end-of-year statement of your account for the previous year. You should keep these statements with your other important papers.

- a. If you itemize your deductions on your federal income tax return, you will need the statement to determine, for example, the amount of mortgage interest you paid during the year covered by the statement.
- b. If your mortgage is insured under Section 235 and you receive subsidy from the government to help you pay your mortgage, you will need the subsidy information on the statement for income purposes.

7. HOW YOU CAN AVOID MOST PROBLEMS WITH YOUR MORTGAGE?

- a. Make your payments **IN FULL** and **ON TIME** !
 - b. Write to, visit, or call the local HUD office that handles your account whenever you have a question about your account or you can't make your payment.
 - Do this as soon as you know or expect that you won't be able to make your monthly mortgage payment.
 - If you write to the office to support your claim that you made payments but they were not credited to your account, send a copy of the back and front of your canceled checks used to make unapplied payments.
-

ies offer counseling services to homeowners who experience difficulty in making their monthly
age payments. Generally, the agencies offer this service without charge to the homeowner. To
the names, addresses, and telephone numbers of HUD-approved housing counseling agencies
st to your residence, call this toll-free telephone number:

800-733-3238

currently has over 500 such agencies on its approved list. Although every community is not
ented on the list, we urge you to use this service if it is available in or near your community.
service might assist you to save your home from foreclosure.
